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CROW COAL-TO-LIQUIDS PLANT COULD BE BOON FOR MONTANA

By Matthew Brown

CROW AGENCY, Mont. -- A \$7 billion coal-to-liquids plant proposed for southeastern Montana's Crow reservation promises an economic boon for the region, but must first overcome economic and political hurdles that have kept any such plant from being built in the United States.

The Many Stars plant -- a partnership between the tribe and Australian-American Energy Co. -- would convert the reservation's sizable coal reserves into 50,000 barrels a day of diesel and other fuels.

State officials said Friday it represents the most valuable economic development project in Montana history.

"We're talking about one of the most technologically advanced, sophisticated energy projects on the planet," Gov. Brian Schweitzer said at a news conference detailing the project.

Covering the plant's \$7 billion price tag will be a challenge in the current economic slowdown. And environmental groups have pledged to step in to oppose the plant if it does not include measures to capture greenhouse gases.

Yet Australian-American Energy Chairman Allan Blood said he was 90 percent certain the Crow project would be completed.

"In my country we have a record of people who have visions and dreams and make them happen," Blood said.

Over the next several years, the company plans to sink \$100 million into preliminary engineering and environmental work, with a goal of starting construction on the plant by 2012. It could begin producing fuel by 2016.

For Crow leaders, the project offers an opportunity to lift the tribe out of poverty. Up to 4,000 people would be employed during its construction. And up to 900 permanent jobs would be created with the plant and a new mine on the reservation that would supply the coal.

"Our kids will have something to look forward to," said tribal Chairman Carl Venne. "Not the six or seven or eight dollars an hour they are making now just to get by. You're looking at \$70,000, \$80,000 -- even \$100,000-a-year jobs."

But representatives of several environmental groups said they remained wary. An agreement between the tribe and Australian-American Energy calls for the Crow to commit up to 50,000 acre-feet of water annually to the project. One acre-foot is equal to nearly 326,000 gallons.

That prospect is raising flags for southeastern Montana's ranching community, which is worried the project could deplete precious water supplies.

Also, while the tribe and company have pledged to capture 95 percent of the plant's emissions of carbon dioxide -- a main contributor to global warming -- environmentalists said living up to that promise could be difficult.

Without capturing those emissions and storing the gas underground, coal-based liquid fuels can churn out significantly more greenhouse gases than conventional petroleum, according to the U.S. Department of Energy.

"(Coal-to-liquids) developers have been saying we'll do something about carbon, but they've been unwilling to put it into their permits. It's been a lot of empty promises," said Bruce Nilles, director of the Sierra Club's national campaign against coal plants.

Officials with Australian-American Energy said the Crow plant would be built on the assumption that Congress, in the next few years, will pass legislation compelling companies to capture carbon dioxide. Such laws do not yet exist.

Working in the project's favor are high oil prices and the idea of replacing imported oil with homegrown fuels derived from coal. Despite a recent slide, crude prices closed above \$115 a barrel on Friday.

Still, industry officials said the economic downturn has reduced investors' willingness to sink cash into large projects such as the Many Stars plant. Meanwhile, costs have soared due to rising global demand for construction materials and skilled labor.

"You have the optimum oil scenario playing out with prices skyrocketing, but you have the bottom dropping out of Wall Street," said Corey Henry with the Coal-to-Liquids Coalition, a group funded by the mining industry. "It's been tough sledding to try to get the money to build these plants."

About a dozen coal-to-liquids plants are on the drawing boards in the United States. Only two such plants exist worldwide; both are in South Africa.

The biggest hurdle in the United States will be getting the first few plants built, Henry said. Once those are operational, he predicted investors would be more willing to fund similar plants.

Blood said he was not concerned, noting he initiated one coal-to-liquids project in Australia that was later sold for \$5 billion. In June, he announced a second project in

Australia, a \$2 billion plant to convert coal into liquid fertilizer.

"You hear about the problems in the capital markets, but what people don't hear is there are dozens and dozens of projects, hundreds of projects, being funded," Blood said.